

## Message Text

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63

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01

L-03 RSR-01 /075 W

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P 032110 Z MAY 73

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 7272

LIMITED OFFICIAL USE BOGOTA 3576

E. O. 11652: N/A

TAGS: ETRD, CO

SUBJECT: COTTON TEXTILE AGREEMENT OVERSHIPMENTS

REF: (A) BOGOTA 3097

(B) STATE 62511

(C) BURSON- SENNS TELCON MAY 3, 1973

1. EMB HAS ASCERTAINED THAT DISCREPANCY IN U. S. AND COLOMBIAN STATISTICS RE SHIPMENTS OF MADE- UP GOODS UNDER BILATERAL COTTON TEXTILE AGREEMENT IS APPARENTLY DUE TO CLASSIFICATION GIVEN EXPANDED VINYL WITH KNIT COTTON BACKING. INCOMEX DETERMINED THAT THIS PRODUCT FELL WITHIN CATEGORY 27 BASED ON THE SPANISH TEXT: "OTRAS TELAS, NE. E. P., DE HILOS PEINADOS", AND ON THE TSUS EXPLANATORY NOTES, SCHEDULE 3, NO. 4(B) WHICH INDICATE THAT THE NON-TEXTILE COATING IS DISREGARDED IN DETERMINING COMPONENT FIBERS . U. S. CUSTOMS, HOWEVER, CLASSIFIES THIS PRODUCT UNDER CATEGORY 64.

2. INCOMEX HAS ISSUED EXPORT LICENSES TO THE LOCAL FIRM PRODUCTOS QUIMICOS NACIONALES ( PROQUINAL) FOR A TOTAL OF 332,795 SQUARE YARDS OF EXPANDED VINYL UNDER CATEGORY 27. A TOTAL OF 54,800 SQUARE YARDS HAVE ALREADY ENTERED THE UNITED STATES; 102,750

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SQUARE YARDS ARE PRESENTLY ON THE HIGH SEAS OR IN U. S. PORT;  
AND AN ADDITIONAL 230,660 SQUARE YARDS ARE PACKED AND IN THE PROCESS  
OF BEING SHIPPED. BY APPLYING THE CONVERSION FACTOR OF CATEGORY  
64 WHICH IS BASED ON WEIGHT RATHER THAN AREA AS IN CATEGORY  
27, THESE QUANTITIES WOULD HAVE AN EQUIVALENT YARDAGE CHARGEABLE  
TO CATEGORY 64 OF 326,000 SQUARE YARDS, 675,000 SQUARE YARDS,  
AND 1,513,000 SQUARE YARDS, RESPECTIVELY. THESE QUANTITIES  
ARE FAR IN EXCESS OF THE TOTAL PERMITTED YARDAGE OF SLIGHTLY  
OVER 1,000,000 SQUARE YARDS FOR CATEGORY 28-64 MADE- UP GOODS.

3. THE EMB UNDERSTANDS THAT NORMAL U. S. PROCEDURE WOULD BE  
TO DENY ENTRY FOR THE ABOVE SHIPMENTS AND ANY OTHER SHIPMENTS  
WHICH FALL INTO THE MADE- UP GOODS CATEGORIES UNTIL SUCH TIME  
(JULY1, 1973) AS THE NEW QUOTA- YEAR WOULD PERMIT ADDITIONAL  
ENTRIES. THE SHIPMENTS ALREADY REALIZED AND IN PROCESS, HOWEVER,  
WOULD BE IN EXCESS OF EVEN THE ENTIRE 1973-74 QUOTA ALLOCATION.  
THE IMMEDIATE RESULT OF SUCH ACTION ACCORDING TO INCOMEX OFFICIALS  
WOULD BE THE PROBABLE BANKRUPTCY OF NOT ONLY PROQUINAL BUT  
ALSO 50-74 OF THE 100 SMALL TEXTILE FIRMS TO WHOM INCOMEX HAS  
ISSUED EXPORT LICENSES FOR EXPORTS OF MADE- UP GOODS ( OTHER  
THAN EXPANDED VINYL) FOR THIS QYOTA YEAR. IT WOULD ALSO MEAN A  
DRASTIC LONG- TERM LOSS OF MARKET FOR COLOMBIAN TEXTILE FIRMS.

4. OTHER CONSIDERATIONS IN THIS MATTER AS FOLLOWS: PROQUINAL  
HAS ALREADY PURCHASED GREAT QUANTITIES OF EQUIPMENT AND RAW  
MATERIALS ( FOR EXAMPLE, OVER ONE MILLION POUNDS OF PVC FROM U. S.  
SUPPLIERS) ON THE BASIS OF INCOMEX ASSURANCE OF OVER 1 MILLION  
SQUARE YARDS EXPORT LICENSES FOR 1973-74. THE FIRM HOLDS APPROX  
\$250,000 IN LETTERS OF CREDIT FROM U. S. PURCHASERS. THESE  
LETTERS OF CREDIT COULD BE CASHED ON PRESENTATION OF EXPORT  
BILL OF LADINGS, BUT THE MANGAER OF THE LOCAL FIRM HAS INDICATED  
THAT HE CHOOSES NOT TO DO SO UNTIL THE SITUATION IS RESOLVED.  
PRESUMABLY A MAJORITY OF THE SMALL FIRMS ALSO HAVE LETTERS  
OF CREDIT FOR THEIR PLANNED SHIPMENTS. WHILE PROQUINAL HAS PLANNED  
TO PRODUCE SOME OF ITS EXPANDED VINYL FOR 1973-74 EXPORTS WITH  
A RAYON- COTTON BACKING WHICH WOULD REMOVE IT FROM THE COTTON  
TEXTILE CLASSIFICATION, THE FIRM INDICATES THAT THE ADDITIONAL  
COST PROHIBITS  
E E E E E E E

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
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